

Mare Forum Indonesia - November 2008

Feeding the future

Mauro Balzarini, Chairman, Siba Ships

Ladies and Gentleman, it is a pleasure to be in Jakarta and have the chance to speak in front of such an important audience. I am not going to speak about football..

Nor about baseball.....

Instead I am going to talk about meat balls...

Yes, Bakso. You look surprised, but this is exactly what I am going to talk about, and especially about how shipping can make this typical Indonesian dish more delicious, safer and more affordable.

I am the Managing director of Siba Ships and the Wellard Group which together form one of the largest livestock trading groups in the world.

Take a look at the map.

In North Australia there is plenty of land, good rain, and a tropical climate with virtually no population. It is the ideal place to breed cattle extensively, but there is no one there to consume them. The locals do their best to eat a lot of steak, but there is a lot for export.

Here in Indonesia it is the reverse. There is little land suitable for free range cattle rearing and a huge population. Land is cultivated intensively to get more out of it in terms of crops such as rice, tapioca, palm oil, coffee, and tropical fruit. All these products, after processing for human consumption, leave a lot of waste which still contains a lot of proteins, sugars and fibre and represent the ideal feedstock to feed cattle. You can fatten cattle in relatively limited spaces, but you cannot rear cattle on a large scale without space.

That's why you need ships. Not to rear the cattle, but to bring the cattle reared in Australia to Indonesia, where you can fatten them on your feed and then use them to make Bakso. Our livestock carriers, and those of other operators, are like a piece of land which God forgot to put, linking these two complementary areas, Australia and Indonesia.

A lot of the good food you eat now is brought here in my ships and a recent study indicated that our cattle, after being fattened locally, end up providing beef to 40 million Indonesians. That's a lot of happy people. You see in this picture some of the fantastic farms operated in Indonesia where Australian Cattle are fattened.

With Indonesia doing well and its people getting richer, they want to eat more meat. We have seen that happening in every developing country, and we already see Indonesia importing more and more meat, principally from Australia. Annual meat consumption in Indonesia is at 1.6 Kg per capita as compared with 38 kg in Australia. We are instrumental in increasing Indonesian consumption of such an important source of well being.

I could flood you with numbers here, with graphs of growth rate in the meat trade, but I don't want to put you off the excellent meal we will enjoy later. I prefer instead to speak about the importance of quality and quality ships to this trade.

Quality means we get the animals from Australia to your consumers in the best condition and with the least stress on the animals possible. Quality means good collection and loading facilities in Australia, good modern ships with plenty of space and comfort, good unloading facilities, good feedlots and good abattoirs and distribution in Indonesia.

At every stage of the chain, investing in keeping the animals happy and healthy is a win-win investment. Healthy animals are heavier and have better meat, so they earn more for the farmer. The consumers like the meat better too. Not rocket science, but sometimes forgotten by people who only focus on short term expenditure. If you look for the cheapest transport option, then you are not looking for the quality option, and all too often, you will not get a good ship. Animals suffer, and in the end, the whole trade will suffer too.

Our most modern vessel, Becrux, built in Uljanik in 2002 and now a very common sight in Indonesian ports, was the world's first new construction large livestock carrier. It has significantly raised standards in livestock carriage and after almost 80 successful voyages we know that we can deliver livestock to their destinations happier, healthier and heavier than when they boarded.

A commitment to quality is why we have placed a US\$250 million order for two state of the art livestock carriers, broadly similar ships, with some improvements based on our experience in service, to be built again at Croatia's Uljanik yard. The new vessels will carry 18,000 cattle or 75,000 sheep in comfort and security. Aimed at the Australian livestock export trade, the vessels will enter service in 2011. That is a vote of confidence in the expected increase in demand as everyone in Indonesia gets hungrier for Australian meat. It is also tangible evidence of investment in quality.

The new Uljanik vessels will be 180 m loa with stronger ventilation and better air distribution than previous ships, better fodder distribution, higher redundancy in livestock services and they will be more environmentally friendly than any other livestock carriers afloat. Built to RINA class they will have Green Star voluntary environment certification and also Green Passport.

These vessels, along with the two ultra modern smaller livestock carriers which we ordered in Indonesia's Shipbuilding cluster of Batam and that we hope to take delivery of soon from former Labroy, will bring a very significant amount of very high quality new capacity into the livestock trades. In total we have invested over \$320m in new livestock vessels.

The Batam ships are so nice and such high specification that the yard is reluctant to part with them, but I hope they will soon enter service.

All this investment in new ships benefits the animals, the producers, the shippers and the receivers, and we see significant and increasing demand for this standard of livestock carriage, which exceeds governmental standards and is totally focussed on animal welfare.

They will be feeding your future, and I urge the government to insist on the highest standards of animal welfare here to match these ships and urge the industry to invest in better livestock facilities here in Indonesia. We need a quality chain from the fields of Australia to the plate in Indonesia.

Quality pays.

And please, eat more meat.